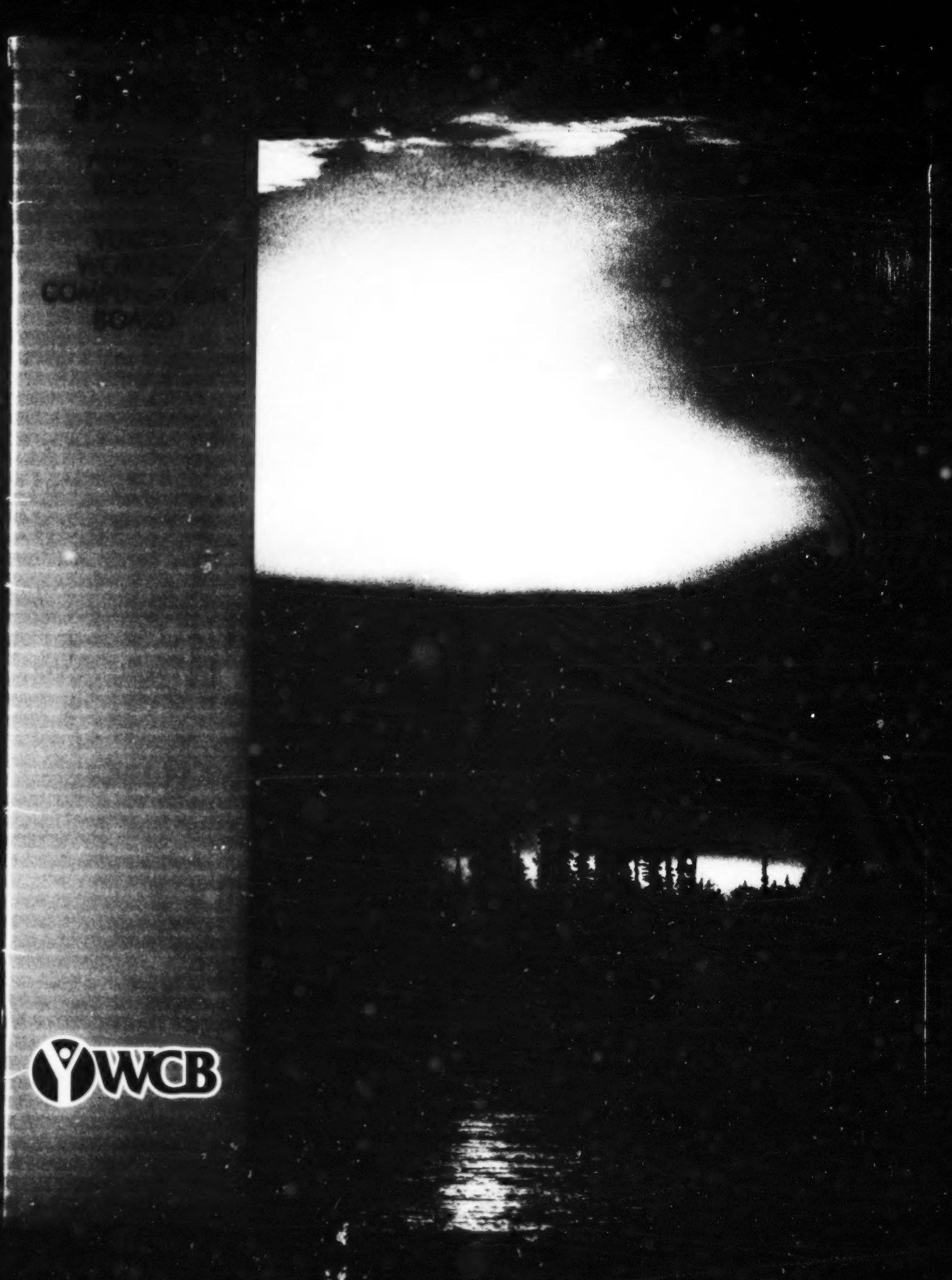

ANNUAL REPORT
of
THE WORKERS' COMPENSATION BOARD
for the
Year Ended December 31, 1988

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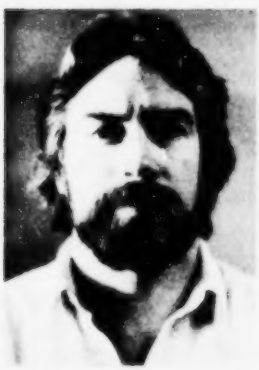
90-05615/

JOHN WRIGHT, CHAIRPERSON

John Wright was appointed as Chairperson of the Board on June 29, 1987. John Wright is former Justice of the Peace and was a member of the Justice Review Panel. He was appointed for a three year term.

THOMAS MICKEY, MEMBER

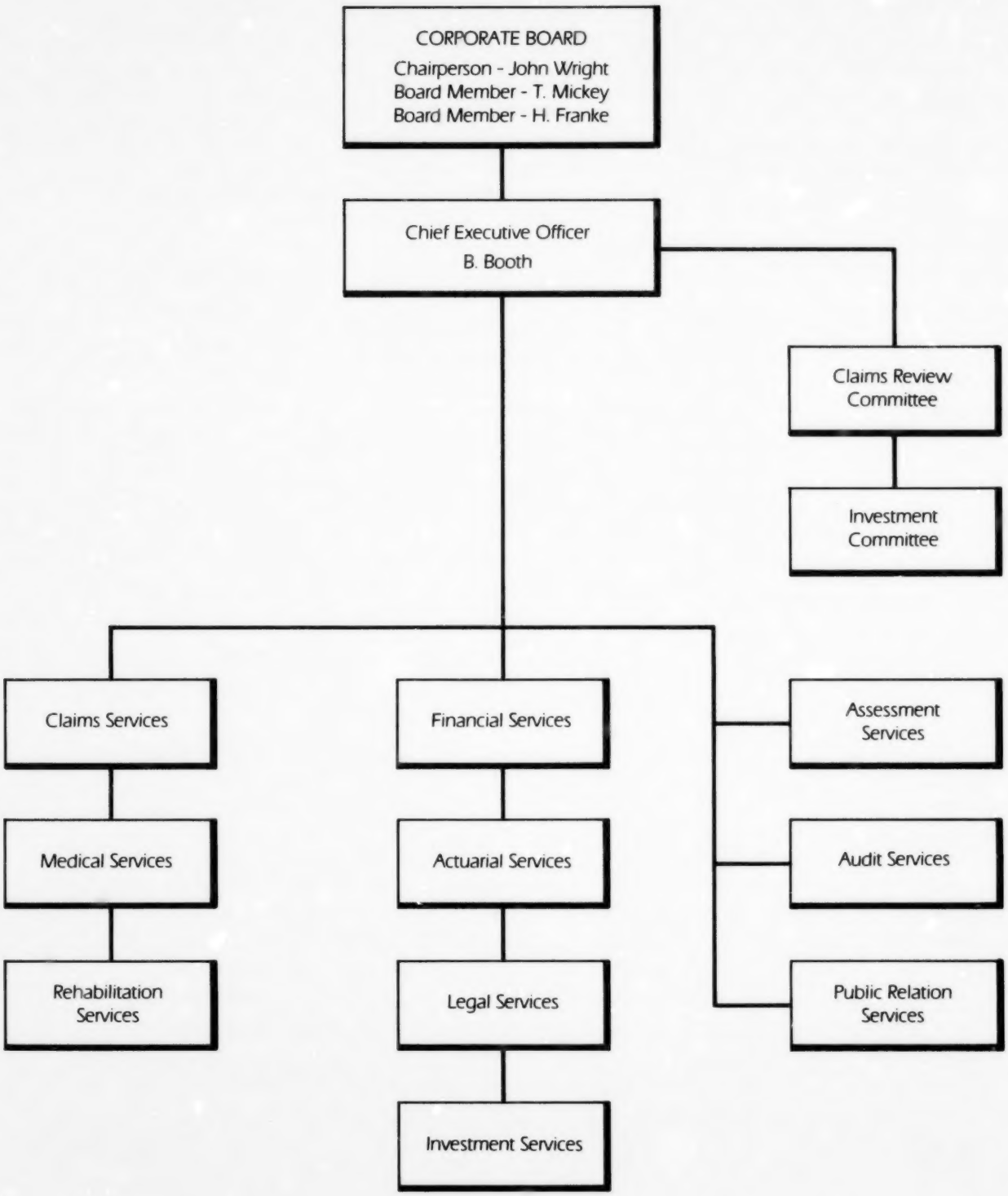
Thomas Mickey who represents industry on the Board, was in the trucking industry and has been a Director of the Yukon Transportation Association. He was first appointed to the Board on September 1, 1984. He was reappointed on September 1, 1987 for a three year term.



HEIKO FRANKE, MEMBER

Heiko Franke represents labour on the Board. He is a member of Health & Safety Committee of Local 924, United Steel Workers of America. He was appointed to the Board on October 2, 1987, for a three year term.

WORKERS' COMPENSATION BOARD 1988



To: **THE HONOURABLE M. JOE**
MINISTER OF JUSTICE GOVERNMENT OF YUKON

In accordance with Section 9(9) of the Workers' Compensation Act, the Workers' Compensation Board is pleased to present its Annual Report for the year ended December 31, 1988.

The purpose of the Workers' Compensation Act is to provide compensation to the worker for wage loss due to disability from personal injury by accident arising out of employment without recourse to litigation. It ensures promptness and certainty of payment to the worker or dependents without unduly burdening the employer. During 1988 the Board continued to pursue its goal of providing the highest standard of service to injured workers.

Compensation is administered by the Yukon Workers' Compensation Board, a corporate entity by statute. Accident costs include compensation, medical aid and rehabilitation, physical impairment awards, fatal and survivors benefits and the cost of administration and accident prevention. These are paid from assessments levied on employers together with earnings realized on investments.

FINANCE

The Compensation Fund is maintained as a trust fund, distinct and separate from the general account of the Yukon Consolidated Revenue Fund.

Board policy is to fully fund the cost of all accidents in the year in which they occur, so that at all times there will be no unfunded liability in respect of prior year's accidents. The Board is pleased to report that this policy has been successful.

In 1988, the Board obtained professional investment advice in order to take advantage of the prevailing rates of interest. In keeping with Board Policy the investment portfolio is managed and in the custody of independent professional investment counsellors. Although it is an integral part of the Compensation Fund, a portion of the investment portfolio has been designated to match the outflow of pension payments for the next twenty years. This part of the portfolio uses a combination of both full bonds, and stripped coupons from Government of Canada bonds, and has locked in a compound rate of return of about 13% over the next twenty years without any need for the reinvestment of interest payments.

The cash flow from these bonds and coupons is sufficient to meet the expected payments to existing pensioners, including a substantial allowance for future automatic cost of living increases. The portfolio is rebalanced at least annually to take into account changes in the expected outgo for pension payments.

For the balance of the assets in the Compensation Fund, it is the policy of the Board to follow the advice of the independent investment counsellors, under the direction of the Board's investment committee.

INCREASED BENEFITS

Increases in the amounts of compensation resulted from the provisions of Section 89 whereby the amounts of compensation are increased in accordance with changes in the Consumer Price Index. The amount of increase at January 1, 1986 was 4.4%.

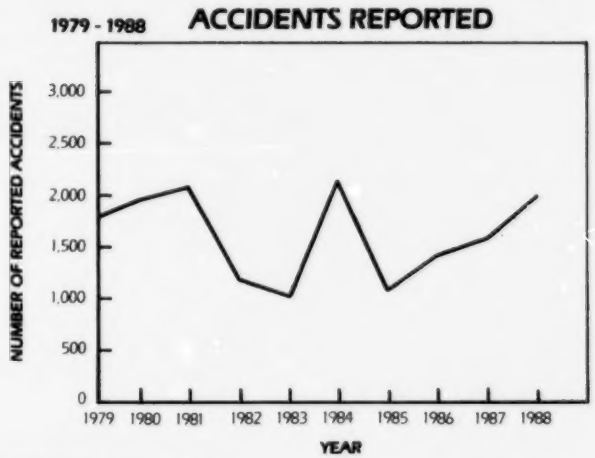
- Pensions to dependent widows or widowers were increased to $1,087 from $1,041 per month.
- Pensions to dependent children were increased to $326 from $312 per month.
- Payments to dependent widows or widowers for additional expenses resulting from the death of a worker were increased to $1,523 from $1,459.
- Payments for necessary burial expenses were increased to $1,745 from $1,671.
- Existing pensions for permanent disability were increased by 4.4%.

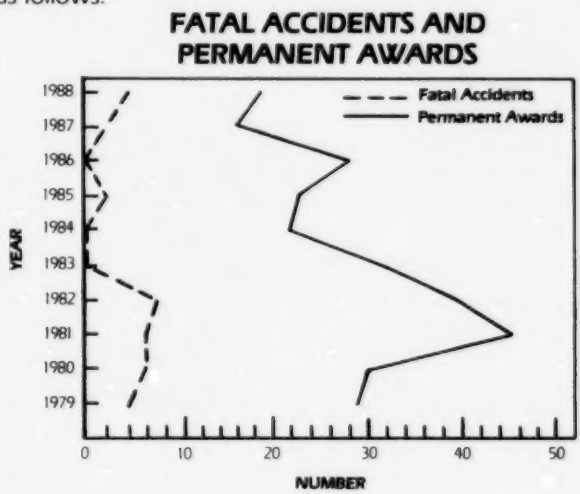
CLAIMS

A worker covered under Workers' Compensation, if totally disabled longer than the day of the accident, is entitled to compensation computed at the rate of 75 percent of the worker's average yearly earnings paid from the day following the accident and for the duration of disability. The maximum earnings used for computation of compensation during 1988 was $36,000 per annum. The minimum compensation payable for disability was $143.

The total number of claims reported to the Board during 1988 was 2,000 compared with 1,661 during 1987. There were 4 fatal accidents during 1988.

Accidents reported for the period 1979 to 1988 inclusive, were as follows:





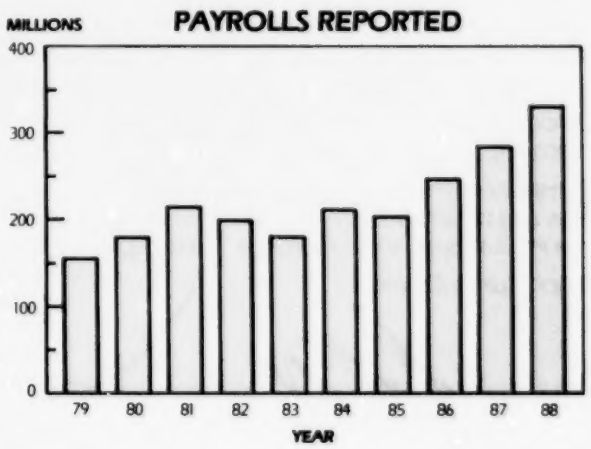
ASSESSMENTS

During 1988, the Board continued to hold meetings with interested employers and associations before finally determining the rate of assessment applicable to the various classes of industry.

Assessment rates are established after considering the cost experience, the financial position of the industry classification, and the reserves required for outstanding claims and pensions. Assessment rates remained the same for 4 classifications and reduced for 1 classification at January 1, 1988 (see Exhibit L).

The maximum assessable earnings for 1988 was $36,000 per annum. The minimum coverage available to independent operators and active directors of limited liability companies was $17,500 per annum.

The following graphs indicate the number of employers registered and assessable payrolls reported for the years 1979 to 1888 inclusive:



VOCATIONAL REHABILITATION

The vocational rehabilitation services extends to injured workers who, as a result of a compensable condition, are unable to return to their pre-accident employment. The primary goal is to assist injured workers to return to employment that is compatible with their physical restrictions and which generates an income equivalent to the wages received at the time of the accident.

The first step in the process of vocational rehabilitation is to approach the accident employer to determine if suitable alternate employment is available. It is cost effective and benefits both the injured worker and accident employer when a return to that firm or industry can be accommodated. Job modification, job transfer and equipment modification programs are discussed with the accident employer with the intent of returning the injured worker to a familiar employment situation.

When a return to work cannot be accommodated with the accident employer, other avenues for re-entering the workforce are explored by the Vocational Rehabilitation Counsellor. The Counsellor will develop a cost effective plan designed to return the individual to a viable employment situation. Assessment of transferable skills, workplace assessments, training on-the-job situations, and institutional training programs are all services designed to assist injured workers.

During the year 12 cases were referred for vocational rehabilitation. From the 12 cases, 2 were participating in retraining programmes, 2 in educational upgrading, 3 in a job search programme, 3 underwent rehabilitation assessments, and 2 returned to the workforce.

The Board appreciates the active and willing cooperation of those employers who assisted in the placement of workers and the upgrading of skills.

APPEALS

If a worker, dependant or employer is dissatisfied with the initial decision on a claim, he or she may request a review by the Claims Review Committee. A written explanation of the decision is provided, and the person is informed of his or her right of further appeal to the Board. During 1988, the Claims Review Committee reviewed 18 claims (1987 - 12), and the Board considered 5 appeals (1987 - 12).

When there is a difference of opinion on medical issues, the case is referred to an independent specialist. During the year 4 cases were referred (1987 - 2).

GENERAL

During the year, the Board continued to cooperate with the Occupational Health and Safety Branch of the Government of Yukon. The Board paid to the Government the amount of $139,000, compared to $127,000 in 1987, to cover the costs of the programme. First Aid courses were offered at no charge to workers under the Workers' Compensation Act.

The Board has developed an audiometric test program for employers and employees exposed to excessive noise levels. It is hoped that this cooperative effort will significantly reduce the number of workers experiencing industrial hearing loss.

The Board has also established a Back Clinic. The purpose of the programme is to educate workers with back related injuries and focuses on work factors, medical causes, the anatomy, body mechanics, and work handling methods.

Further progress was made during the year in the enhancements and maintenance of computerized business systems in assessments to increase the efficiency of services to the Board's clients.

The Board would like to thank the injured workers, employers, the medical profession and trade unions, for their cooperation received during the year. The assistance received from the Auditor General of Canada and staff was very much appreciated.

Despite continuing restraints, staff maintained and improved service levels, and carried out their duties with willingness and professionalism. The Board wishes to acknowledge the efficient manner in which staff handled the organization's functions and assisted the Board in carrying out its mandate.

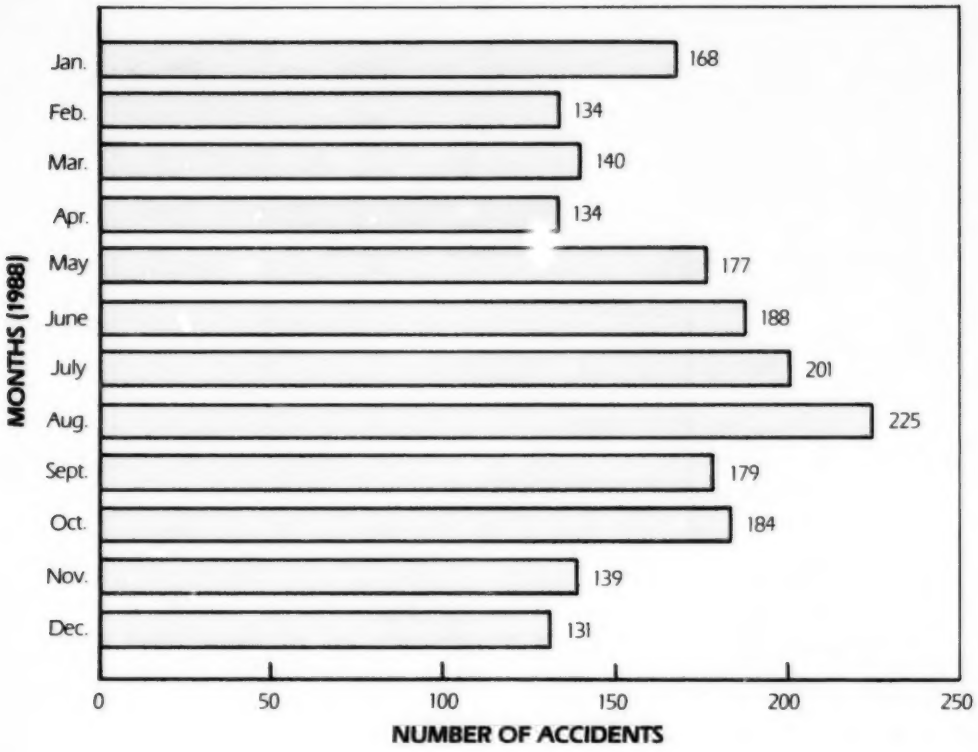
Respectfully submitted.

John Wright, Chairperson

Thomas Mickey, Board Member

Heiko Franke, Board Member

EXHIBIT "A"
MONTH OF OCCURENCE OF ACCIDENTS REPORTED
January 1 - December 31, 1988



PERCENTAGES FOR ACCIDENTS REPORTED BY CLASS

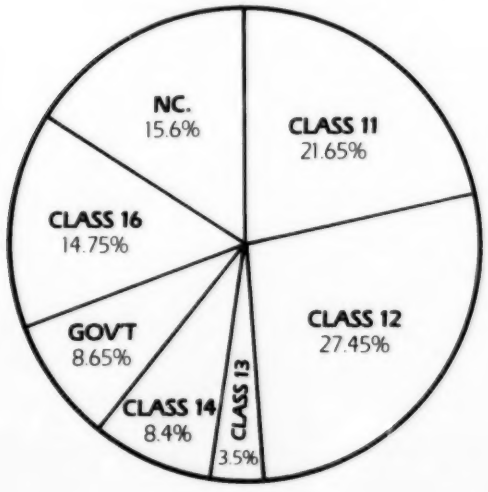


EXHIBIT "B"

NATURE OF INJURIES ACCORDING TO HIGHEST PERCENTAGES

TIME LOSS CLAIMS ONLY - 1988

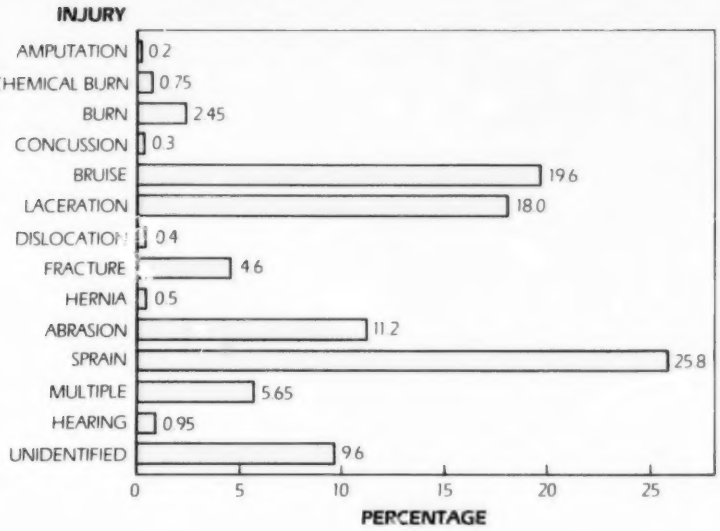


EXHIBIT "C"

REGION OF BODY INJURED

ALL 1988 REPORTED ACCIDENTS

Percent of Claims	Number of Claims	
0.5	10	Scalp
1.35	27	Head
10.95	219	Eye(s)
1.4	28	Hearing
2.7	54	Face
1.05	21	Neck
2.85	57	Shoulder
4.95	99	Arm
1.75	35	Chest
0.35	7	Lung
14.8	296	Back
0.35	7	Abdomen
2.85	57	Wrist
5.2	104	Hand
17.1	342	Finger
0.8	16	Hip
3.5	70	Leg
4.95	99	Knee
8.3	166	Foot
14.3	286	Multiple

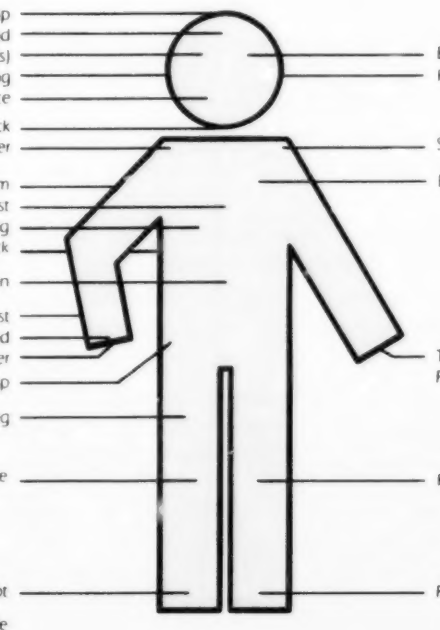


EXHIBIT "D"

PERMANENT DISABILITY AWARDS

January 1 - December 31, 1988

	Number of Permanent Disability Awards	Percent of Permanent Disability Awards
Eye	1	5.2
Hearing	3	15.8
Shoulder	1	5.3
Back	2	10.5
Thumbs/ Fingers	8	42.1
Knee	2	10.5
Foot	2	10.5

EXHIBIT "E"
TYPE OF ACCIDENT CAUSING FATAL CLAIMS

YEAR	CLASS	AGE	CAUSE
1988	11	56	Cave In
	12	22	Heavy Equipment
	12	49	Motor Vehicle Accident
	Gov't	30	Heavy Equipment Accident
1987	12	52	Motor Vehicle Accident
	13	26	Airplane Crash
1986	14	56	Motor Vehicle Accident

EXHIBIT "F"
1988 ACCIDENTS REPORTED
By Geographical Region

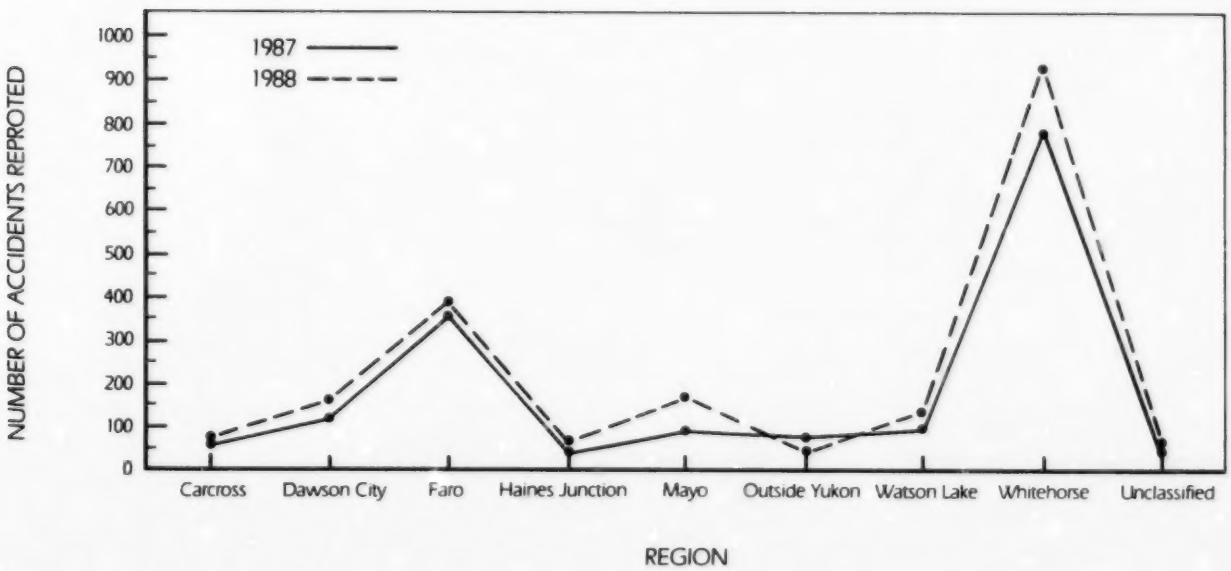


EXHIBIT "G"
NUMBER OF COMPENSATION DAYS PAID IN 1988
by Class and Year of Accident Occurrence

			Prior to		Total Compensation Days Paid	
CLASS	1988	1987	1988	1987	1988	1987
11	1,691	849	5,094	4,245	6,785	5,094
12	3,142	1,599	9,486	7,887	12,628	9,486
13	298	636	4,746	4,110	5,044	4,746
14	293	454	2,991	2,537	3,284	2,991
Gov't	209	69	2,326	2,257	2,535	2,326
16	1,100	1,107	4,953	3,846	6,053	4,953
TOTAL	6,733	4,714	29,596	24,882	36,329	29,596

EXHIBIT "H"
DAYS OF ADJUDICATION BY INJURY
January 1 - December 31, 1988

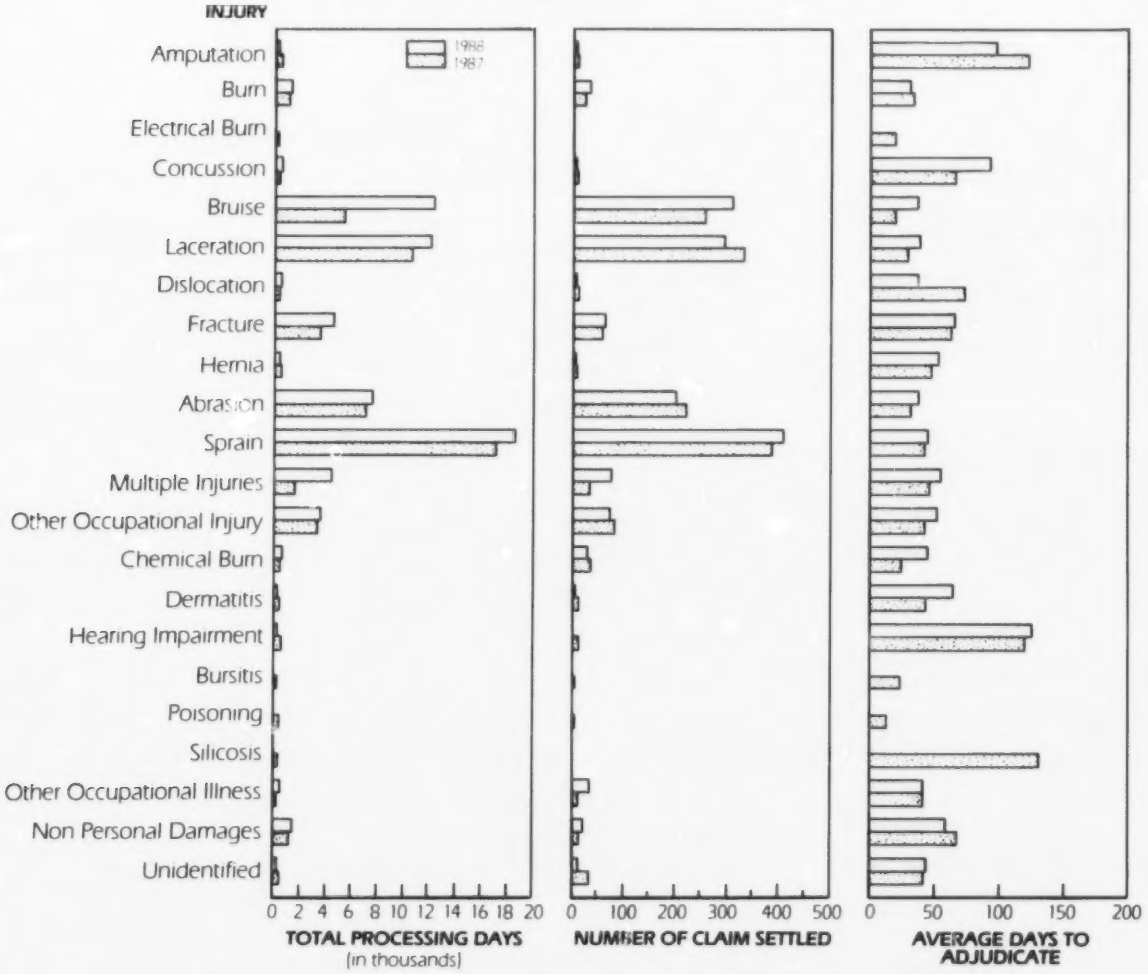


EXHIBIT "I"
COMPARISON OF 1988 TIME LOST CLAIMS & NO TIME LOST CLAIMS

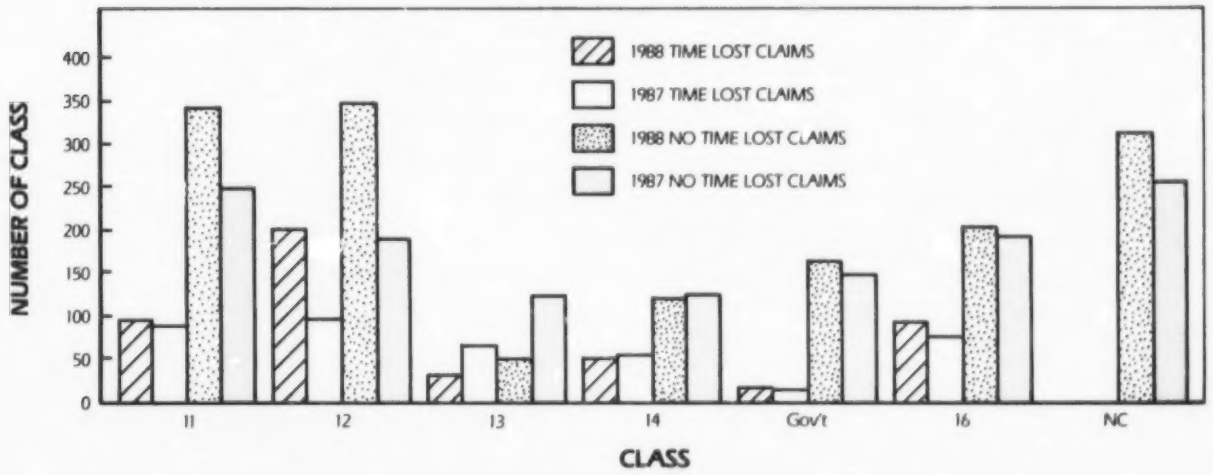
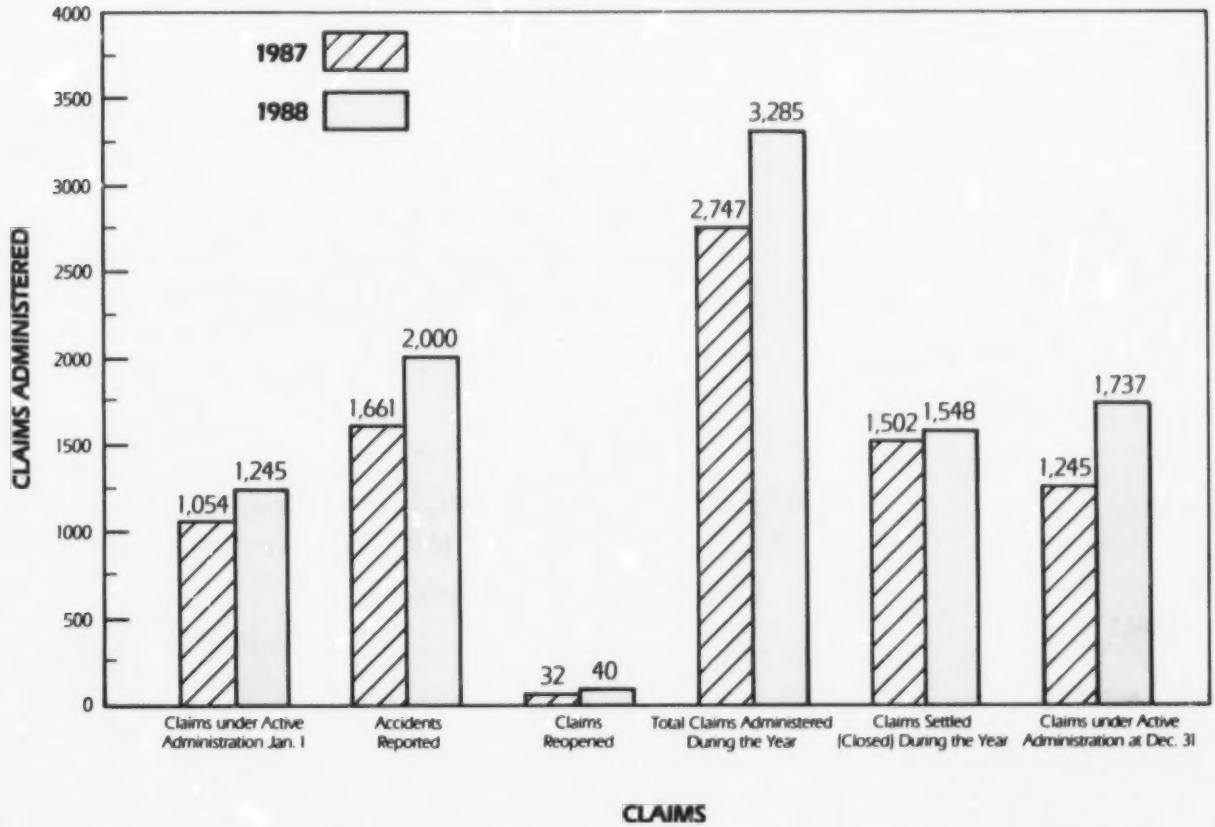


EXHIBIT "J"
SUMMARY OF CLAIMS ADMINISTERED



EXIBIT "K"
ASSESSABLE PAYROLLS
FOR THE YEAR ENDED DECEMBER 31

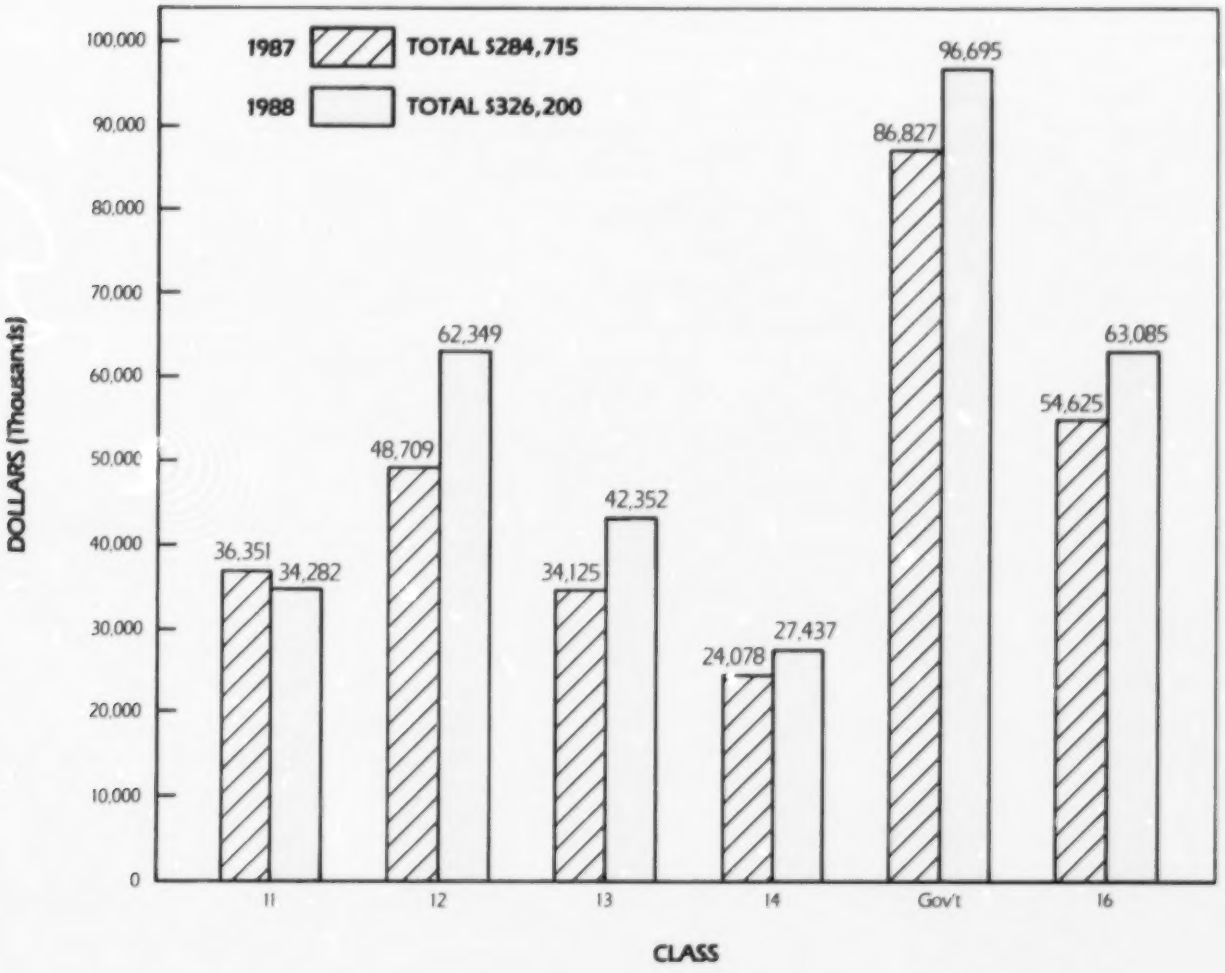


EXHIBIT "L"
CLASSIFICATION OF INDUSTRIES
AND ASSESSMENT RATES
(Per $100.00 of Payroll)

CLASS	INDUSTRY RATE 1988
11. MINING	$3.00

Consultants
Geochemical or Geophysical Exploration
Mapping, Surveying or Prospecting
Metal Mining
Mineral Exploration

12. CONSTRUCTION, TRUCKING & RELATED INDUSTRIES $3.00

Air Services
Blasting
Bridge Construction, Road Making or Land Clearing
Carpet, Linoleum or Ceramic Tile-Installation of
Concrete Construction, Masonry or Bricklaying
Concrete Mixing Plants including Transit Mix
Construction - N.E.S.
Crane Operations
Diamond Drilling
Diving
Drilling or Servicing of Gas or Oil Wells
Elevators or Trailers-Repair and /or Installation
Excavation, Waterworks or Sewer Construction
Gravel Crushing or Stockpiling
Installation or Removal of Boilers, Machines or Engines
Insulation of Buildings
Logging, Log Hauling, Skidding or Sawmills
Moving Buildings
Oil or Natural Gas Pipeline-Construction of Outfitting
Painting, Drywalling, Plastering or Lathing
Pilot Car Service
Placer Mining
Roofing
Seismic Geophysical Exploration
Slashing, Staking or Line Cutting
Steel Fabrication or Erection
Transmission Lines-Construction of
Trucking or Hauling
Water Well Drilling or Digging

13. PROFESSIONAL BUSINESS OR PUBLIC ADMINISTRATION ..... $.75

Churches, Libraries or Museums
Cities, Towns, Villages & Municipalities
Clerical Employees-Supplying as a Business
Daycare, Associations or Societies
Insurance, Real Estate Companies, Accountants, Lawyers, Medical, Dental, Optical Clinics, Banks, Financial Companies or Stock Brokers
Professional, or Business N.E.S.
Radio Television, Motion Picture Production or Live Entertainment
Telephone Services
Travel Agencies
Unions

14. SPECIFIED TRADES $2.25

Electrical Contractors
Farming
Gas Line Stations
Heavy Equipment Sales and/or Service
Indian Bands
Light & Power Operations including Line Construction when carried on as one industry

Lumber Yards - Wholesale and/or Retail Sales
Machine, Carpentry or Glazing Shops
Mfg. of Explosives
Mfg. or Installation of Heating, Air Conditioning
Ventilation or Fire Sprinkler Systems
Plumbing, Steam Fitting or Gas Fitting
Sales and Service of Household & Small Equipment
Service Trades - N.E.S.
Upholstering or Auctioneers
Welding Shops or Portable Welding
Wholesale Establishments

16. SERVICE INDUSTRIES $1.25

Assaying
Boat Cruises
Buildings or Trailer Courts - Operation of
Bulk Oil Dealers
Bus Lines or School Buses
Catering
Commercial Salesmen
First Aid Attendants or Security Police
Funeral Homes
Hairdressers & Barber Shops
Homes for Children & Aged - Operation of
Hotels, Motels, Lodges, Cabarets or Lounges
Janitorial Services
Landscaping
Laundries & Dry Cleaning Plants
Locksmiths
Manufacturing and/or Processing of Food Products, Beverages & Clothing
Printing, Publishing, Lithography or Engraving
Public Amusements, Private Clubs or Recreation Centres
Restaurants
Retail Sales
Sales, Service, Rentals & Repair of Vehicles
Service Industries - N.E.S.
Taxis
Veterinarians

17. GOVERNMENT ..... Deposit

Government of Yukon

PARTICULARS OF INVESTMENTS
AS AT DECEMBER 31, 1988

BONDS AND DEBENTURES

			Par value	Cost or amortized cost
Government of Canada Bonds			(thousands of dollars)	
Series H12	11.500%	19931215	2,500	2,492
Series H3	10.750%	19930501	500	499
Series H39	12.750%	19941001	500	583
Series H80	9.250%	19960501	1,150	1,107
Series J2	9.500%	20011001	4,000	3,983
Series J42	13.000%	20010501	500	489
Series J58	13.750%	19890801	223	223
Series J82	15.000%	19920601	263	262
Series J95	11.750%	19921215	1,250	1,345
Series	7.750%	19920401	1,860	1,758
Series A12	10.000%	19950301	1,000	1,002
Series H63	10.750%	20091001	900	933
Series H96	8.250%	19940301	2,840	2,611
Coupons - Canada Series			41,935	6,865
Treasury Bills			$14,278	$13,936
			$73,699	$38,088
Provincial and Provincial guaranteed bonds				
Hydro-Quebec	13.500%	19910924	$ 500	$ 500
New Brunswick	15.500%	19920630	250	250
New Brunswick Electric	11.750%	19930208	1,000	996
Nova Scotia	12.000%	19931101	2,000	1,990
Nova Scotia	13.750%	19900501	313	312
Nova Scotia Power Ret 91/86	15.500%	19911215	500	500
Ontario Hydro	10.000%	19980210	6,110	5,923
Quebec	13.250%	19931105	400	396
Quebec	16.500%	19970322	500	505
Quebec	13.250%	19931105	600	592
Saskatchewan	13.375%	19960401	500	500
Quebec	10.250%	19980407	760	744
Alberta Series	10.250%	19931101	1,160	1,159
			$14,593	$14,367
Corporate				
Loblaw Companies Ltd. Ret 01/93	9.750%	20010930	780	780
GMAC Canada	11.395%	19900405	860	861
O & Y First CDN Place Series 1	10.700%	19931104	1,000	999
TransAlta Utilities Corp	10.375%	19981216	740	740
			$3,380	$3,380
Bank and Trust G.I.C.S.				
Royal Trust Corp of Canada	11.00%	19920909	1,900	1,908
			$93,572	$57,743

YUKON WORKERS' COMPENSATION BOARD
STATEMENT OF TRANSACTIONS BY CLASS AND OPERATING RESERVE
FOR THE YEAR ENDED DECEMBER 31, 1988
(Thousands of Dollars)

INCOME					EXPENSE														
CLASS	ASSESSMENT REVENUE	INTEREST	DEDUCT MERIT REBATES	NET REVENUE	COMPENSATION	MEDICAL AID	PENSION AWARDS	TOTAL CLAIM COSTS	DEDUCT CHARGES TO FUTURE CLAIM COSTS	DEDUCT CHARGES TO RESERVES	1988 CLAIM COSTS SETTLED	PROVISION FOR FUTURE CLAIM COSTS	PROVISION FOR RESERVES	INTEREST TRANSFERRED TO RESERVES	ADMINISTRATIVE EXPENSE	NET EXPENDITURE	1988 SURPLUS	OPERATING RESERVE JANUARY 1, 1988	OPERATING RESERVE DECEMBER 31, 1988
11	1,028	1,244	(3)	2,275	301	188	31	520	128	98	304	467	52	1,026	203	2,052	223	2,191	2,414
12	1,870	2,796	159	4,507	652	255	521	1,428	197	627	604	857	86	2,025	350	3,922	585	8,326	8,911
13	318	164	54	428	74	73	1	148	38	20	90	138	13	140	134	515	(87)	252	165
14	617	423	69	971	143	75	1	219	85	25	109	174	27	325	130	765	206	951	1,157
16	789	602	97	1,294	117	104	2	223	98	16	109	165	34	501	234	1,043	251	974	1,225
Gov't	756	213	—	969	97	61	464	622	—	—	622	—	—	212	120	954	15	—	15
TOTAL	5,378	5,442	376	10,444	1,384	756	1,020	3,160	546	776	1,838	1,801	212	4,229	1,171	9,251	1,193	12,694	13,887

REPORT OF MANAGEMENT TO THE MINISTER

To: The Honourable M. Joe
Minister of Justice
Government of Yukon

The accompanying financial statements and all information in the Annual Report are the responsibility of management and the Workers' Compensation Board. The financial statements were prepared by management in conformity with accounting policies appropriate in the circumstances. The non-financial information provided in the Annual Report has been selected on the basis of its relevance to the Board's objectives and the extent to which reasonably precise measurement is practical.

The Board maintains internal financial and management systems and practices which are designed to provide reasonable assurance that reliable financial and nonfinancial information is available on a timely basis, that assets are acquired economically, are used efficiently to further the Board's aims.

The Board, through its Audit Committee, is responsible for reviewing and monitoring the Board's management accounting and reporting practices. The Audit Commitee meets with external auditors to satisfy itself that these responsibilities are properly discharged.

The Auditor General of Canada annually provides an independent, objective, review of management's discharge of its responsibility to report fairly the operating results and financial position of the Board in accordance with accounting policies deemed appropriate for the operations of the Board. The examination includes a review and evaluation of the Board's system of internal control and appropriate tests and procedures to provide reasonable assurance, in all material aspects, that the financial statements are presented fairly.

The Auditor General has full and free access to the Audit Committee and meets with it to discuss the results of the examination and the adequacy of financial and management controls.

Brian Booth
Chief Executive Officer

AUDITOR'S REPORT

To the Executive Council Member responsible for the
Yukon Workers' Compensation Fund

I have examined the balance sheet of the Compensation Fund (Yukon Territory) as at December 31, 1988 and the statements of income, expense and operating reserve and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Fund as at December 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting policies set out in Note 2 to the financial statements applied on a basis consistent with that of the preceding year.

I further report that, in my opinion, proper books of account have been kept by the Board, the financial statements are in agreement therewith and the transactions that have come to my notice have, in all significant respects, been in accordance with the Yukon Financial Administration Act and regulations and the Workers' Compensation Act and regulations.

Kenneth M. Dye, F.C.A.
Auditor General of Canada

Ottawa, Canada
April 21, 1989

COMPENSATION FUND
(Yukon Territory)
Balance Sheet
as at December 31, 1988

ASSETS

	1988	1987
	(in thousands of dollars)	
Cash and short-term investments	$ 4,622	$ 3,416
Assessments receivable (Note 4)	609	896
Accounts receivable	147	75
Accrued interest receivable	1,031	639
Investments (Note 5)	57,743	53,141
Land, at cost	447	-
	$64,599	$58,167

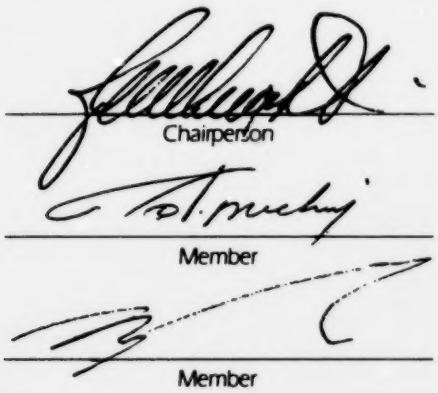
LIABILITIES

Accounts payable	$ 453	$ 390
Assessments refundable	431	367
Merit rebates payable	464	507
Future claim costs (Note 6)	10,312	8,342
Pension liability (Note 7)	16,978	15,063
Annuity liability (Note 8)	79	50
	28,717	24,719

RESERVES

Special (Note 9)	21,995	20,754
Operating	13,887	12,694
	35,882	33,448
	$64,599	$58,167

Approved by the Workers' Compensation Board



Chairperson

Member

Member

COMPENSATION FUND
(Yukon Territory)
Statement of Income, Expense and Operating Reserve
for the year ended December 31, 1988

	1988	1987
	(in thousands of dollars)	
Income		
Assessments	$ 5,378	$ 4,870
Less: Merit rebates	376	511
	5,002	4,359
Interest	5,442	5,289
Supplementary compensation benefits recovered	363	359
	10,807	10,007
Expense		
Claim costs		
Compensation	831	521
Medical aid and travel	463	359
Pension awards	544	274
	1,838	1,154
Transfers to		
Future claim costs	1,801	1,174
Special reserves	212	197
Annuity provisions	-	2
	3,851	2,527
Allocation of interest	4,229	4,104
Administrative (Note 10)	1,171	1,217
Supplementary compensation benefits	363	359
	9,614	8,207
Net income for the year	1,193	1,800
Operating reserve		
at beginning of the year	12,694	10,894
at end of the year	$ 13,887	$ 12,694

COMPENSATION FUND
(Yukon Territory)
Statement of Changes in Financial Position
for the year ended December 31, 1988

	1988	1987
		(in thousands of dollars)
Operating activities		
Net income for the year	$ 1,193	$ 1,800
Items not involving cash		
Transfers to:		
Future claim costs	1,801	1,174
Annuity liability	-	2
Pension liability	533	267
Special reserves	212	197
Allocation of interest	4,229	4,104
Amortization of bond premiums and discounts	(754)	(582)
(Gain) loss on disposal of bonds	508	(139)
Increase in accounts payable, assessments refundable and merit rebates payable	84	75
(Increase) decrease in receivables	(177)	307
	7,629	7,205
Pensions and claims paid from:		
Future claim costs	538	115
Pension liability	736	676
Special reserves	346	358
	1,620	1,149
Cash provided from operating activities	6,009	6,056
Investing activities		
Increase in investments	4,356	7,878
Purchase of land	447	-
Cash utilized for investments	4,803	7,878
Increase (decrease) in cash and short-term investments	1,206	(1,822)
Cash and short-term investments		
at beginning of the year	3,416	5,238
at end of the year	$ 4,622	$ 3,416

COMPENSATION FUND
(Yukon Territory)
Notes to Financial Statements
December 31, 1988

1. AUTHORITY AND OPERATIONS

The Compensation Fund was established in 1973 by the Workers' Compensation Act and is administered by the Workers' Compensation Board pursuant to the Act.

The Fund provides compensation for injury or death by accident arising out of and in the course of employment. Annual assessments are levied upon employers usually on the basis of their assessable payrolls reported, to meet all claim costs, administrative expenses and transfers to reserves.

2. ACCOUNTING POLICIES

These financial statements have been prepared by management in accordance with accounting principles considered to be appropriate in the circumstances. The more significant accounting policies of the Board are as follows:

(a) Allowance for doubtful accounts

An allowance for doubtful assessments receivable is provided for by charges against assessment income. Doubtful accounts are written off if deemed uncollectable.

(b) Investments

Investments are recorded at cost at the time of acquisition. Discounts or premiums are amortized over the term of the investment. Part of the investment portfolio has been designated to match the expected future payments of pensions.

(c) Future claim costs

In accordance with Section 68 of the Act, the estimated liability for future claim costs is based on the present value of expected future costs of claims in process, additional costs arising in future years in respect of awards already made, and accidents which have occurred but which have not been reported.

(d) Pension liability

The pension liability represents the capitalized value of future payments of pension awards. Except for pension awards provided from the special reserves when applicable, all pensions awarded for the current year's claims are provided for annually from operations and those awarded for prior years' claims are provided from the liability for future claim costs.

(e) Annuity liability

Amounts are set aside equal to ten percent of compensation paid to workers disabled after December 31, 1982 who have been on compensation for 24 consecutive months. These amounts will provide annuities for these workers at age 65 in accordance with Section 48 of the Act.

(f) Special reserves

Pursuant to Section 68 of the Act, special reserves are established by an annual appropriation from net assessment income of each industrial classification, based on claims experience. These reserves, and purposes, are as follows:

Disaster - to meet losses arising or likely to arise from disaster or other circumstances that would unfairly burden the employers in any class. In accordance with Board policy the amount of any individual claim cost in excess of established limits for each class is charged to the disaster reserve.

Rehabilitation - to meet expenses incurred in the rehabilitation of injured workers.

Enhanced disability - to meet the claim costs of disabilities aggravated by previous disabilities.

Industrial diseases - to meet the claim costs arising from industrial diseases.

(g) Operating reserve

In accordance with Section 68(g) of the Act, this reserve is maintained to provide stability in the assessment rates for each class from year to year and represents the net credit balance of the industrial classes.

(h) Assessments and merit rebates

Assessment income is calculated on actual payroll costs as reported. Separate rates of assessment are established for each industrial classification sufficient to provide funds to meet all claim costs, administrative expenses and transfers to reserves.

Merit rebates are allowed to employers with favourable claims experience in the immediately preceding three calendar years. Merit rebates provided for at the year-end represent the estimated rebates to be allowed on claims experience for the three prior years.

(i) Claim costs

Claim costs are provided for in the year in which the accident occurs and comprise compensation, pension awards, medical aid and travel and transfers to future claim costs and special reserves. Pension awards are capitalized at an interest rate equal to the difference between the estimated annual rate of future interest earnings and the estimated annual rate of statutory cost of living increases.

(j) Allocation of interest income and administrative expense

Interest income, excluding interest from the designated investment portfolio for pensions which is allocated to the pension liability, is allocated to the other liabilities and reserves according to the mean balances for the year.

Administrative expense, net of income from penalties, is allocated proportionately to each industrial classification within the operating reserve.

(k) Supplementary compensation benefits

Supplementary compensation benefits are granted, pursuant to the Workers' Compensation Benefits Act, to all persons receiving compensation on or after October 1, 1973 for accidents prior to that date. Compensation is increased to the amount that would have been granted had the accident occurred after the coming into force of the Act. These benefits and the related recoveries from the Yukon Consolidated Revenue Fund in accordance with the Act are reflected in the Statement of Income.

(l) Capital expenditure

Expenditures for real property are recorded as fixed assets, at cost. Acquisitions of office furniture and equipment are expensed when incurred..

3. ACTUARIAL VALUATION

An actuarial valuation of the Compensation Fund, which is required to be carried out at least triennially in accordance with the Workers' Compensation Act, was completed as at December 31, 1986.

4. ASSESSMENTS RECEIVABLE

Assessments receivable are recorded net of an allowance for doubtful accounts of $19,000 (1987 - $46,000). Accounts written off during the year amounted to $7,500 (1987 - $14,000).

5. INVESTMENTS

	1988		1987
	Par value	Amortized cost	Amortized cost
	(in thousands of dollars)		
Government of Canada			
Coupons	$ 28,735	$ 5,369	$ 4,766
Non-interest bearing bond	13,200	1,496	1,323
Interest bearing bonds	17,486	17,287	14,166
Treasury bills	14,278	13,936	20,719
Provincial and provincial guaranteed bonds	14,593	14,367	11,387
Other	5,280	5,288	780
	$ 93,572	$ 57,743	$ 53,141
Market value - December 31		$59,900	$55,020

Investments maturing within one year total $14,159,000 (1987 - $22,384,000).

The Government of Canada non-interest bearing bond matures in 2006, and the coupons mature in the years 1989 to 2007. The amounts to be amortized for these items will be credited to income as follows:

	(in thousands of dollars)
1989	$ 871
1990	982
1991	1,107
1992	1,251
1993	1,410
1994 - 2007	29,449
	$35,070

The amount to be amortized in this manner represents the difference between par value and amortized cost of the non-interest bearing bond and the coupons.

6. FUTURE CLAIM COSTS

	1988	1987
		(in thousands of dollars)
Amounts provided		
By class	$ 1,801	$ 1,174
Allocation of interest	715	728
	2,516	1,902
Amounts applied		
Claim payment	538	115
Transfer to pension liability	-	1,590
Transfer to annuity liability	8	7
	546	1,712
Increase for the year	1,970	190
Balance at beginning of the year	8,342	8,152
Balance at end of the year	$ 10,312	$ 8,342

7. PENSION LIABILITY

	1988	1987
		(in thousands of dollars)
Amounts provided		
Transfers from		
Special reserves	$415	$388
Operations	533	267
Future claim costs	—	1,590
Allocation of interest	1,703	1,473
	2,651	3,718
Amounts applied		
Pension payments	736	676
Increase for the year	1,915	3,042
Balance at beginning of the year	15,063	12,021
Balance at end of the year	$16,978	$15,063

In addition to the amount transferred to the pension liability from operations, pension awards for current year's claim costs include lump sum payments of $2,350 (1987 -$7,100).

An estimated valuation of the pension liability at December 31, 1988 using an interest rate of 2.0% (1987 - 2.0%) revealed a surplus of $1,750,000 (1987 - $967,000), after providing for the capitalized value of cost of living adjustments effective January 1, 1989.

8. ANNUITY LIABILITY

	1988	1987
		(in thousands of dollars)
Amounts provided		
Transfers from		
Future claims costs	$ 8	$ 7
Operations	-	2
Special reserves	15	5
Allocation of interest	6	5
	29	19
Balance at beginning of year	50	31
Balance at end of the year	$ 79	$ 50

9. SPECIAL RESERVES

(thousands of dollars)

	DISASTER	REHABILI-TATION	ENHANCED DISABILITY	INDUSTRIAL DISEASES	1988 TOTAL	1987 TOTAL
Amounts provided						
By class	$ 212	$ —	$ —	$ —	$ 212	$ 197
Interest	574	489	348	394	1,805	1,898
	786	489	348	394	2,017	2,095
Amounts applied						
Claim payments	181	106	41	18	346	358
Transfer to						
Pension liability	415	—	—	—	415	383
Annuity liability	15	—	—	—	15	5
	611	106	41	18	776	751
Increase for the year	175	383	307	376	1,241	1,344
Balance at beginning of the year	6,778	5,573	3,948	4,455	20,754	19,410
Balance at end of the year	$6,953	$5,956	$4,255	$4,831	$21,995	$20,754

10. ADMINISTRATIVE EXPENSE

	1988	1987
		(in thousands of dollars)
Salaries and benefits	$ 770	$ 702
Occupational health and safety	139	127
Rentals and supplies	126	136
Furniture and office equipment	74	—
Professional services	50	56
Medical fees	15	21
Computer software costs	—	220
Other	87	28
	1,261	1,290
Less: Income from penalties	90	73
	$ 1,171	$ 1,217

11. RELATED PARTY TRANSACTIONS

In addition to the supplementary compensation benefits disclosed in the financial statements the Board administers the compensation claims of employees of the Government of the Yukon for which it receives reimbursement of the claim costs and related administration expenses. These totalled $741,000 for 1988 (1987 - $423,000).

12. COMPARATIVE FIGURES

Certain of the comparative figures in the Statement of Changes in Financial Position have been reclassified to conform with the current year's presentation.